

**Supporting Statement for Paperwork Reduction Act Submissions**  
**Accounts Receivable Confirmations**  
**OMB Control Number 1010-0162**  
**(Expiration Date: February 28, 2006)**

**General Instructions**

A Supporting Statement, including the text of the notice to the public required by 5 CFR 1320.5(a)(i)(iv) and its actual or estimated date of publication in the *Federal Register*, must accompany each request for approval of a collection of information. The Supporting Statement must be prepared in the format described below, and must contain the information specified in Section A below. If an item is not applicable, provide a brief explanation. When Item 17 of the OMB Form 83-I is checked "Yes," Section B of the Supporting Statement must be completed. OMB reserves the right to require the submission of additional information with respect to any request for approval.

**Specific Instructions**

**A. Justification**

*1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.*

**Justification**

The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA), 30 U.S.C. 1701 *et seq.*, states in Section 101(a) that the Secretary "... shall establish a comprehensive inspection, collection, and fiscal and production accounting and auditing system to provide the capability to accurately determine oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owed, and collect and account for such amounts in a timely manner." The persons or entities described at 30 U.S.C. 1713 are required to make reports and provide reasonable information as defined by the Secretary.

Every year, under the Chief Financial Officers Act of 1990 (CFO), the Department's Office of Inspector General, or its agent (agent), audits all Department bureaus' financial statements. The Department's goal is for every bureau to receive an unqualified opinion. Accounts receivable confirmations are a common practice in the audit business. Due to continuously increasing scrutiny on financial audits, third-party confirmation on the validity of MMS financial records is necessary. Companies submit financial information on Form MMS-2014, Report of Sales and Royalty Remittance (OMB Control Number 1010-0140, expires October 31, 2006) and on Form MMS-4430, Solid Minerals Production and Royalty Report (OMB Control Number 1010-0120, expires October 31, 2007).

As part of CFO audits, the agent requests, by a specified date, third-party confirmation responses confirming that MMS accounts receivable records agree with royalty payor records, for the following items: customer identification; royalty/invoice number; payor-assigned document

number; date received; original amount reported; and remaining balance due MMS as of a specified date. In order to meet this requirement, MMS must mail letters on MMS letterhead, signed by the Deputy Associate Director for Minerals Revenue Management, to royalty payors selected at random, asking them to confirm back to the agent the accuracy and/or validity of selected royalty receivable items and amounts. Verifying the amounts reported and the balances due will require time for research and analysis by payors. The MMS will send confirmation letters to all payors selected by the agent. The payors will be asked to submit confirmation information directly to the agent.

Therefore, MMS is requesting approval to continue to collect this information to ensure compliance with the CFO audit schedule and requirements. Failure to collect this information could be construed as a scope limitation for CFO audits.

## **Background**

The Secretary of the U.S. Department of the Interior is responsible for collecting royalties from lessees who produce minerals from leased Federal and Indian lands. The Secretary is required by various laws to manage mineral resources production on Federal and Indian lands, collect the royalties due, and distribute the funds in accordance with those laws. The Secretary also has an Indian trust responsibility to manage Indian lands and seek advice and information from Indian beneficiaries. The MMS performs the royalty management functions and assists the Secretary in carrying out the Department's trust responsibility for Indian lands.

When a company or an individual enters into a lease to explore, develop, produce, and dispose of minerals from Federal or Indian lands, that company or individual agrees to pay the lessor a share (royalty) of the value received from production from the leased lands. The lease creates a business relationship between the lessor and the lessee. The lessee is required to report various kinds of information to the lessor relative to the disposition of the leased minerals. Such information is similar to data reported to private and public mineral interest owners and is generally available within the records of the lessee or others involved in developing, transporting, processing, purchasing, or selling of such minerals. The information collected includes data necessary to ensure that the royalties are paid appropriately.

## **Applicable Citations**

Applicable citations (Attachment 1) include:

1. CFO (Public Law 101-576);
2. FOGRMA, 30 U.S.C. 1701 *et seq.*;
3. 30 U.S.C. 189 pertaining to Public Lands;
4. 30 U.S.C. 359 pertaining to Acquired Lands;
5. 25 U.S.C. 396d pertaining to Indian Lands;
6. 43 U.S.C. 1334 pertaining to Outer Continental Shelf Lands;
7. 30 U.S.C. 1713 pertaining to solid minerals, and revised geothermal regulations at 30 CFR 210.354.

Relevant Minerals Revenue Management (MRM) regulations (Attachment 2) are codified at 30 CFR subchapter A—Royalty Management:

1. Part 201, General, *et seq.*;
2. Part 206, Production valuation, subparts F and J;
3. Part 210, Forms and reports, subparts B (§§ 210.52 and 210.53), E, and H; and
4. Part 218, Collection of royalties, rentals, bonuses and other monies due the Federal Government, subparts B and E.

***2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection. [Be specific. If this collection is a form or a questionnaire, every question needs to be justified.]***

As part of annual CFO audits, third-party confirmations that MMS accounts receivable records agree with royalty payor records are requested, for the following items: customer identification; royalty/invoice number; payor-assigned document number; date received; original amount reported; and remaining balance due MMS, as of a particular date.

Companies initially submit financial information on Form MMS-2014, Report of Sales and Royalty Remittance (OMB Control Number 1010-0140, expires October 31, 2006), and Form MMS-4430, Solid Minerals Production and Royalty Report (OMB Control Number 1010-0120, expires October 31, 2007).

***3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden [and specifically how this collection meets GPEA requirements].***

The MRM program continues to strive for full implementation of the Government Paperwork Elimination Act with our reengineered business processes. The MRM collects most of the original information electronically from Forms MMS-2014 and MMS-4430. However, an electronic response to this request for information is not appropriate because accounts receivable confirmations require an original signature.

***4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.***

The information collection requested for CFO audits is not available from any other source. No other Federal or state agency collects the same or similar information. The primary information is available only within the records of the payors, and the use of such data is unique to our mission.

**5. *If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-I), describe any methods used to minimize burden.***

This collection of information does not have a significant economic effect on a substantial number of small entities; however, some small businesses or other small entities are among potential respondents.

**6. *Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.***

If MMS does not collect this information, we will not be able to comply with the Office of Inspector General (OIG) request for financial record verification. Failure to collect this information could be construed as a scope limitation for CFO audits.

**7. *Explain any special circumstances that would cause an information collection to be conducted in a manner:***

***(a) requiring respondents to report information to the agency more often than quarterly.***

Not applicable in this collection.

***(b) requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it.***

Not applicable in this collection.

***(c) requiring respondents to submit more than an original and two copies of any document.***

Not applicable in this collection.

***(d) requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than 3 years.***

Not applicable in this collection.

***(e) in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study.***

Not applicable in this collection.

***(f) requiring the use of statistical data classification that has been reviewed and approved by OMB.***

There are no special circumstances with respect to 5 CFR 1320.5(d)(2)(v) through (viii) because the collection is not a statistical survey and does not require statistical data classification or analysis.

***(g) that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use.***

This collection does not include a pledge of confidentiality not supported by statute or regulation.

***(h) requiring respondents to submit proprietary trade secrets or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.***

This collection does not require proprietary, trade secret, or other confidential information not protected by agency procedures.

***8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice [and in response to the PRA statement associated with the collection over the past 3 years] and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.***

***Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported. [Please list the names, titles, addresses, and phone numbers of persons contacted.] Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years – even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.***

As required in 5 CFR 1320.8(d), MMS published a 60-day notice in the *Federal Register* on November 21, 2005 (70 FR 70095) (Attachment 3).

- We did not receive any comments in response to the *Federal Register* notice.
- We did not receive any unsolicited comments from potential respondents covered under these regulations.

- However, we contacted the companies listed below and received no comments on our burden estimates.

<i>Ms. Jeanette Wilm</i> <i>Ballard Petroleum</i> <i>845 12<sup>th</sup> Street West</i> <i>Billings, Montana 59102-6406</i> <i>(406) 628-4165</i>	<i>Mr. Aaron Spencer</i> <i>BP America</i> <i>509 So. Boston Avenue</i> <i>Tulsa, Oklahoma 74103</i> <i>(918) 925-7053</i>
<i>Ms. Renee Digirolamo</i> <i>Burlington Resources</i> <i>717 Texas Avenue, Suite 1200</i> <i>Houston, Texas 77002</i> <i>(817) 347-2355</i>	<i>Mr. Tom Guerra</i> <i>Range Production Company</i> <i>6602 US Hwy 87 North</i> <i>Sterling City, Texas 76951</i> <i>(972) 354-8149</i>
<i>Ms. Connie Olson</i> <i>Ranck Oil</i> <i>9278 Old Shelby Road</i> <i>Conrad, Montana 59425</i> <i>(406) 873-2591</i>	

***9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.***

We will not provide any payment or gift to respondents in this collection.

***10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.***

Commercial or financial information provided to MMS, relative to minerals removed from Federal and Indian leases, may be proprietary. Trade secrets and proprietary and other information are protected in accordance with standards established by FOGRMA, as amended (30 U.S.C. 1733), and the Freedom of Information Act (5 U.S.C. 552(b)(4)) and its implementing regulations (43 CFR 2).

In addition, the Indian Mineral Development Act of 1982 (25 U.S.C. 2103) provides that all information related to any Indian minerals agreement covered by the Act in the possession of the Department shall be held as privileged proprietary information. Storage of proprietary information and access to it are controlled by strict security measures.

The OIG agent signs a nondisclosure statement that binds them to the requirements cited above.

***11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.***

The collection does not include sensitive or private questions.

***12. Provide estimates of the hour burden of the collection of information. The statement should:***

***(a) Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.***

***(b) If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of OMB Form 83-I.***

***(c) Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 14.***

Royalty receivable and deferred bonus financial transaction confirmations are required. The MMS estimates that there may be approximately 125 respondents annually (Federal and Indian oil and gas and solid mineral royalty payors). We estimate that each response will require 15 minutes. The total estimated annual reporting burden is 32 hours.

(125 responses x 15 minutes = 1,875 minutes/60 minutes = 31.25 hours, rounded to 32 hours)

There are no additional recordkeeping hours.

Based on a cost factor of \$50 per hour, we estimate the total annual cost to industry is \$1,600 (\$50 x 32 hours).

***13. Provide an estimate of the total annual [non-hour] cost burden to respondents or recordkeepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14).***

*(a) The cost estimate should be split into two components: (1) a total capital and start-up cost component (annualized over its expected useful life) and (2) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information [including filing fees paid]. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record storage facilities.*

*(b) If cost estimates are expected to vary widely, agencies should present ranges of cost burden and explain the reasons for the variance. The cost of purchasing or contracting out information collection services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.*

*(c) Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government, or (4) as part of customary and usual business or private practices.*

We have identified no “non-hour” cost burdens for this collection of information.

*14. Provide estimates of annualized cost to the Federal Government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.*

The estimated annual cost to the Federal Government is \$15,650. This estimate includes \$3,150 for OIG, through their agent, and \$12,500 for MRM, based on the following information and computations:

- The annual cost estimate of \$3,150 for OIG is based on the total estimated annual time of 63 hours. We estimate that OIG, through their agent, will require time to determine selections and review responses. We estimate 125 respondents annually (Federal and Indian oil and gas and solid mineral royalty payors). We estimate that each response will require 30 minutes per confirmation.

$$(125 \text{ responses} \times 30 \text{ minutes} = 3,750 \text{ minutes} / 60 \text{ minutes per hour} = 62.50 \text{ hours, rounded to 63 hours})$$



Based on a cost factor of \$50 per hour, we estimate the total annual cost for OIG is \$3,150 (\$50 x 63 hours).

- The annual cost estimate of \$12,500 for the Federal Government is based on the total estimated annual time for MRM of 250 hours. We estimate that MRM will require time to review selections, determine the original amount reported, resolve any account discrepancies, look up contacts and addresses, and call companies to explain the confirmation process. We estimate 125 respondents annually (Federal and Indian oil and gas and solid mineral royalty payors). We estimate that MRM will require 2 hours per response.

(125 responses x 2 hours = 250 hours)

Based on a cost factor of \$50 per hour, we estimate the total annual cost to MRM is \$12,500 (\$50 x 250 hours).

***15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I.***

**Item 13, OMB Form 83-I**

<b>Currently Approved OMB Inventory</b>	<b>Program Change Burden Hours</b>	<b>Adjustment Burden Hours</b>	<b>Total ICR Burden Hours</b>
32	0	0	32

There is no change in burden hours.

**Item 14, OMB Form 83-I**

There is no cost burden to report in Item 14 of OMB Form 83-I.

***16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.***

The MMS will not publish the data.

***17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.***

Not applicable to this collection.

***18. Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-I.***

To the extent that the topics apply to this collection of information, we are not making any exceptions to the "Certification for Paperwork Reduction Act Submissions."

## **B. Collection of Information Employing Statistical Methods**

*The agency should be prepared to justify its decision not to use statistical methods in any case where such methods might reduce burden or improve accuracy of results. When Item 17 on the OMB Form 83-I is checked “Yes,” the following documentation should be included in the Supporting Statement to the extent that it applies to the methods proposed.*

The agent selects the initial small sample of payors. The agent’s Audit Procedures Policy, including sampling procedures and sample thresholds, is proprietary information, as is the *MRM Audit Procedures Manual*. Therefore, we do not know the exact methodology the agent utilized in determining the initial sample. However, MMS assumes that the agent utilized standard auditing procedures in selecting an initial sample size. Standard auditing procedures employ random selection procedures and statistical evaluation techniques in representative testing, to eliminate the risk of bias and quantify the sampling confidence achieved.

The evidential matter obtained from the sample is based upon the reasoning that the characteristics found in a representative sample of a population are reasonably accurate reflections of the characteristics to be found in the whole of that population. Therefore, if auditors see similar negative attributes across the initial responses, standard auditing procedures would call for an expansion of the sample to other payors to determine if that negative attribute is systemic. Therefore, because there is potential to expand beyond an initial sample, MMS estimates that there may be approximately 125 respondents annually.